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Message Text

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ACTION NEA-10

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SUBJ: EGYPTIAN REMITTANCES FROM ABROAD

REF: CAIRO 9594

SUAMMARY: REMITTANCES FROM CONSIDERABLE NUMBER OF EGYPTIANS WORKING ABROAD CONTINUE TO RISE. CENTRAL BANK FIGURES SHOW TOTAL REMITTANCES FOR 1976 WERE ABOUT $700 M ($271.4 M IN CURRENCY TRANSFERS AND $399 M IN IMPORT OF GOODS THROUGH OWN CURRENCY SYSTEM). BASED ON FIGURES FOR JANUARY AND FEBRUARY, 1977 TOTAL COULD REACH ONE BILLION DOLLARS WITH BIGGEST SHARE OF INCREASE OCCURRING IN OWN CURRENCY IMPORTS. END SUMMARY.

1. WORKER'S REMITTANCES FROM ABROAD HAVE BECOME INCREASINGLY IMPORTANT FOR ECONOMY DUE TO LARGE NUMBER OF EGYPTIANS WORKING ABROAD AND ALSO BECUSE OF MORE LIBERAL FACILITIES PROVIDED FOR REPATRIATING EARNINGS. RECENT REPORTS ON REMITTANCES FROM CENTRAL BANK (SEE REFTEL) AND WORLD BANK HAVE PRESENTED, HOWEVER, ONLY TRANSFERES WHICH ARE ACTUALLY CHANGED INTO EGYPTIAN POUNDS THROUGH PARALLEL MARKET FOR FAMILY SUPPORT/SAVINGS/INVESTMENT IN EGYPT. ACCORDING TO CENTRAL BANK (CBE) FIGURES, VALUE OF THESE TRANSFERS WAS $271.4 M FOR 1975 AND $353. M FOR
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1976. (NOTE: CENTRAL BANK FOR UNKNOWN REASON CARRIES THESE TRANSFERS ON ITS BOOKS IN EGYPTIAN POUNDS CONVERTED AT OFFICIAL RATE, EVEN THOUGH POUNDS DERIVED FROM TRANSFER WERE VALUED AT PARALLEL MARKET RATE.)

2. EGYPTIANS WORKING ABROAD ALSO SEND REMITTANCES IN FORM OF GOODS PURCHASED ABROAD AND CARRIED OR SENT INTO EGYPT FOR

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PERSONAL USE AND, OFTEN, FOR RESALE. FACILITY FOR THESE TRANSACTIONS IS OWN CURRENCY IMPORT SYSTEM. FIGURES FOR VOLUME OF SUCH REMITTANCES IN FORM OF GOODS ARE, HOWEVER, USUALLY UNAVAILABLE. THROUGH CBE CONTACTS WE HAVE NOW OBTAINED UN-PUBLISHED DATA ON THIS SUBJECT. ACCORDING CBE FIGURES, EGYPTIANS WORKING ABROAD IMPORTED GOODS WORTH $132.71 M IN 1975 AND $399.87 M IN 1976.

3. SAME SOURCES INFORM THAT CURRENCY TRANSFERS FROM WORKERS ABRAOD AMOUNTED TO $26.37 M AND $30.46 M IN JANUARY AND FEBRUARY, 1977, RESPECTIVELY. VALUE OF GOODS IMPORTED WAS $46.08 M AND $61.95 M AGAIN FOR JANUARY AND FEBRUARY, 1977, RESPECTIVELY. USING FIRST TWO MONTHS TO PROJECT POSSIBLE MONTHLY AVERAGE FOR 1977, WE NOTE CONSIDERABLE INCREASE OVER 1976. TOTAL WORKERS REMITTANCES (CURRENCY AND GOODS TRANSFER) FOR 1976 WERE ABOUT $700 M. IT UPWARD TREND CONTINUES, TOTAL REMITTANCES FOR 1977 COULD REACH ONE BILLION DOLLAR MARK.

4. BECUSE OWN CURRENCY IMPORT TRANSACTIONS DO NOT ENTER BANKING SYSTEM, THEY HAVE NO DIRECT EFFECT ON BOP. PRIME EFFECT OF OWN CURRENCY PROCEDURE IS TO MEET DEMAND FOR CONSUMER IMPORTS. THIS WOULD HAVE BEEN DIFFICULT IF NOT IMPOSSIBLE OTHERWISE OVER PAST THREE YEARS, GIVEN EGYPT'S STRAINED BOP POSITION. SYSTEM ALSO ALLOWED SOME PRIVATE SECTOR BUSINESSES TO OBTAIN IMPORTED INTERMEDIATE PRODUCTION INPUTS WHICH WOULD ALSO NOT HAVE BEEN POSSIBLE THROUGH REGULAR IMPORT CHANNELS. SUCCESS OF OWN CURRENCY SYSTEM IS EVIDENT IN INCREASING VOLUME, AS INDICATED BY FIGURES FOR FIRST TWO MONTHS OF 1977. GOE HOPE, OF COURSE, IS THAT SUCH
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IMPORTS CAN BE CHANNELED MORE INTO PRODUCTION INPUTS AND LESS INTO CONSUMER GOODS.

5. WHILE GOODS TRANSACTIONS APPEAR TO BE INCREASING, CURRENCY TRANSFERS ARE REMAINING SOMEWHAT STATIC, BASED ON FIRST TWO MONTHS OF 1977. OPENING OF TOW NEW PRIVATE SECTOR BANKS FINANCED BY WORKERS IN SAUDI ARABIA AND KUWAIT COULD INCREASE SUCH TRANSFERS, WHETHER IN FORM OF PURCHASE OF POUND FOR DEPOSIT OR IN FORM OF HARD CURRENCY ACCOUNTS. OUTLOOK NONETHELESS IS FOR LEVEL TO CONTINUE ABOUT THE SAME AS IN 1976, WHICH IN ANY CASE REPRESENTS NOT INCONSIDERABLE SOURCE OF FOREIGN EXCHANGE.
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